

"Tobacco Settlement May Trim Oregon's Tax Revenues"
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Portland--Higher cigarette prices resulting from the multistate settlement mean Oregon will be losing tax dollars long before it sees a penny of payment. On Monday, the day the industry signed off on the \$206 billion deal, the two largest cigarette makers, Phillip Morris and R.J. Reynolds, raised their wholesale prices by 45 cents a pack. Tobacco policy experts say that will result in an 8.3% decline in cigarette consumption in Oregon, and thus a loss of tax dollars. Sarah Gates, a forecasting analyst with the state Office of Economic Analysis, predicts a loss to the state of about \$15.2 million a year in cigarette taxes, based on 1998 sales figures. The state estimates it took in \$184 million in cigarette taxes during FY1997-98. Taking the tax loss into account, the settlement will mean \$57.8 million a year in new money to the state instead of \$73 million. And the decrease in state revenues will come right away, while the settlement money won't arrive

until April 2000. The Oregon Health Plan will feel most of the impact.

Oregon gets 68 cents a pack for each of the 270 million packs of cigarettes estimated to be sold in the state this year. For each pack of cigarettes they buy, smokers pay 37 cents to the Oregon Health Plan, 22 cents into the state's general fund, 3 cents for programs to reduce smoking and 2 cents each to cities, counties and public transit.